

Crowdfunding gathers impetus with investors

Exclusive

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"Are you running a Ponzi scheme?" was the reaction CrowdfundUp's founder Jack Quigley got when he started his crowdfunding platform to raise money for property investments.

Australia was the "nanny state" holding back investors from owning properties, Mr Quigley and his peers from crowdfunders DomaCom, VentureCrowd and Prodigy Network's 17 John Street told a Property Council of Australia breakfast in Sydney on Wednesday.

Property crowdfunding has taken off in the US, with \$1.42 billion in investments, and more than \$1 billion in Europe but only \$80 million from the rest of the world, according to a report by CrowdfundUp. China is on track for a possible \$45 billion market.

With median house prices in Sydney scaling \$1 million and in Melbourne, \$700,000, property equity crowdfunding gives retail investors a chance to

own properties for smaller outlays – as low as \$100.

"Think of it as a real estate investment trust with no no ongoing fees. The crowd picks the properties which are also diversified across types," Mr Quigley said.

"On top of that, there are no large fees or middlemen such as brokers."

Property crowdfunding raises funds from a "crowd" of investors for a project or investment.

The crowd meets online and investors "pledge" their capital to projects. Investors can nominate projects or platforms can make suggestions.

"The most popular property investment types are residential, commercial and industrial, although storage unit complexes have been crowdfunded in the US," CrowdfundUp said.

Mr Quigley's CrowdfundUp, based in Perth, is a one-stop online platform which accesses properties from developers or fund managers for investment. The platform has two opportunities running – one which is raising \$500,000 to part-invest in a \$10



Getting it together: CrowdfundUp's founder Jack Quigley, left, and DomaCom's Arthur Naoumidis. PHOTO: RYAN STUART

million industrial property in Sydney with asset manager Lester Group and the other, also \$500,000, for a Perth residential property in Perth by developer, Megara. They require a minimum outlay of \$10,000.

With Arthur Naoumidis' DomaCom, things are a bit different. DomaCom is not only an online platform but it is also an ASIC registered managed investment scheme with an ability to manage crowd monies like a fund.

"It is like a marriage between E-Trade and realestate.com.au," Mr

Naoumidis said. "The pledges that people put onto the platform is like a bookbuilding exercise. Think of it as a modern syndication which takes properties and cut them up into small chunks."

DomaCom performs due diligence on potential properties in stages to ensure they are profitable deals. It has launched nine property opportunities and has another 52 to go. Investors in DomaCom deals can buy their units or "chunks of properties" for as low as \$2500 and sell them to other investors.

DomaCom charges a small 0.8 per cent fee, while CrowdfundUp earns money from developers and asset managers. But the platforms have their own troubles.

"My biggest concerns are failed landbanking schemes which give us a bad name," Mr Quigley said.

The legal framework surrounding crowdfunding is also still in its infancy in Australia. The latest development is a framework discussion paper released by the Abbott government late last year.